



State of Utah  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt  
Governor  
Ted Stewart  
Executive Director  
James W. Carter  
Division Director

1594 West North Temple, Suite 1210  
Box 145801  
Salt Lake City, Utah 84114-5801  
801-538-5340  
801-359-3940 (Fax)  
801-538-7223 (TDD)

February 24, 1998

Albert Brantley  
Gemstone Mining Company  
599 North 800 West, # 1  
Cedar City, Utah 84720

Re: Interim Reclamation Surety for Mine Site Disturbances, Gemstone Mining Incorporated (GMI), Red Beryl Projects, S/001/011 and S/001/012, Beaver County, Utah

Dear Mr. Brantley:

First of all, let me apologize for the inadvertent delay in providing this letter to you as promised during our January 30, 1998 meeting. As you will recall, during the meeting we agreed to calculate and send you an *interim* reclamation surety estimate to cover the reclamation costs associated with the current small mining disturbances associated with the Violet/Red Beryl project areas. On January 16, 1998, the Division sent West Desert Collectors (S/001/011 - Rex Harris) and Rancho Equipment Services (S/001/012 - Robert Thomas) formal written requests to provide us with completed Large Mining Operation permit applications. The BLM and Division had determined that both mine sites now exceed their respective five acre disturbance threshold for a small mining operation. A February 2, 1998 deadline was established for both small mine operators to submit a reclamation surety and Large Mining Permit (LMO) Application to the Division of Oil, Gas and Mining.

During our meeting you informed us that GMI was in the process of purchasing the Red Beryl mine properties from both operators and would be willing to post an interim reclamation surety to cover both project areas. This interim surety would remain in place until GMI could complete and receive approval of a LMO application for all of the present disturbances associated with these mine sites. You stated that no mining, exploration or mill processing activity has occurred since last fall. No additional onsite activity is proposed for the immediate future. GMI is now completing its gemstone cutting work, conducting ongoing engineering work and developing plans to relocate the existing millsite/processing plant closer to the mine. You stated that GMI plans to submit a formal LMO permit application by the end of March or early April/98 for the minesite and the new millsite.